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General

2001 Budget Highlights

Summary

- The 2001 President's budget for the Department of Veterans Affairs (VA) reflects the largest discretionary dollar increase ever proposed for veterans' programs and demonstrates the President's continued commitment to those who served our country with honor. The 2001 budget requests approximately \$48 billion, which includes \$22.4 billion for discretionary programs without collections and \$25.9 billion for entitlements. The request for discretionary programs provides \$1.5 billion over last year's enacted funding level.
- The 2001 budget will allow VA to:
 - improve access and service in our health care system;
 - enhance patient safety standards;
 - expand service in long-term and emergency care as authorized by the "Veterans Millennium Health Care and Benefits Act;"
 - continue increasing staffing for claims processing for a total increase of more than 1,000 FTE in 2000 and 2001 and fund the training necessary for the adjudicative workforce;
 - reengineer all benefits service delivery by the Veterans Benefits Administration (VBA);
 - continue the expansion of the cemetery system, both federal and state, for the expected demand over the next 20 years;
 - meet the American public's expectation of maintaining our cemeteries as National Shrines to our veterans; and
 - replace core account system financial management system (FMS) with a new integrated core Financial and Logistics System (core FLS).

- These are the primary areas addressed in the budget request. Here are some additional highlights.

Highlights by Major Component

- **Medical Care.** The budget provides a total program level of \$20.9 billion (including \$608 million in medical collections), an increase of \$1.36 billion over the 2000 program level, to provide medical care for over 3.9 million unique patients. This level of commitment allows VA to continue to aggressively respond to waiting time problems by redirecting human resources and infrastructure and other investments to improve access and service delivery. Patient safety oversight and training initiatives will be expanded as VA maintains its leadership role. This budget fully funds \$548 million for and expanded new benefits in the “Veterans Millennium Health Care and Benefits Act” (e.g., emergency care, extended care services, and specialized mental health services). The budget also provides \$340 million (an increase of \$145 million) to treat the high prevalence of Hepatitis C among enrollees.
- **Veterans Benefits Administration.** The budget provides \$998.6 million and 11,824 FTE, which is \$139 million and a net total FTE of 287 over the 2000 level; funding includes a \$30 million one-time adjustment. These resources will contribute to the smooth delivery of compensation, pension, housing, education, and vocational rehabilitation benefits. This request works toward the goal of substantially improving performance. The Balanced Scorecard, Service Delivery Networks, emphasis on data integrity, succession planning, and development of long-term program outcomes have been constructed with this goal foremost. An additional 586 FTE will be added to process disability claims, totalling more than 1,000 FTE in 2000 and 2001. The budget continues to fund new initiatives including moving towards a paperless system that will enable rapid improvement in service delivery. Administrative expenses to support the insurance program are made available from excess earnings from the National Service Life Insurance, United States Government Life Insurance and Veterans Special Life Insurance programs.
- This budget reflects a one-time adjustment of \$30 million in funding from the mandatory education account of Readjustment Benefits (RB) to the discretionary GOE appropriation. As workload expanded throughout the last decade, the RB account has been increasingly used to fund costs for contractor services associated with providing Vocational Rehabilitation services. However, concern was raised about paying out of two different appropriations for what may be similar functions. In response to this concern, VA will now pay all administrative costs for this program from GOE.

- **National Cemetery Administration.** The budget requests \$110 million \$13 million above the 2000 enacted level, to operate the National Cemetery Administration. This increased level will reinforce our National Shrine commitment by beginning an extensive renovation of the grounds, gravesites and grave-markers at cemeteries where the most need exists. The Department will fund the full operations at the four new national cemeteries in Albany, NY; Chicago, IL; Dallas/Ft. Worth, TX; and Cleveland, OH opening in 1999 and 2000. It will continue planning for new national cemeteries near Miami, FL; Detroit, MI; Atlanta, GA; and Sacramento, CA.
- **Medical Research.** The \$321 million appropriation request, the same as the 2000 enacted level, represents about one-third of the total resources available to VA for medical research. This level will allow continuation of research projects to improve the medical care and health of veterans and is based on the assumption that VA should increase its share of non-appropriated research funds.
- **Construction.** New budget authority of \$309 million is requested for the Department's construction programs. The budget request provides funding for two major construction projects and provides resources for minor construction, and grants for State veteran's nursing homes and cemeteries.
- **Integrated core FLS.** VA is replacing its core accounting system with a new integrated core FLS. Replacement of the core financial system will strengthen the flow of financial information by replacing financial feeder systems which have limited or manual interfaces to the core financial system; improve data integrity by eliminating redundant financial data stored in a number of legacy financial and mixed applications; increase standardization of procedures by placing business processes in an integrated, state-of-the-art core financial and logistical system; indirectly enhance service to veterans and other customers; and decrease costs by eliminating redundant and inefficient legacy systems. The core FLS project will be funded through reimbursements from each of the VA Administrations and major sponsoring staff offices.

Performance Plan

VA continues to develop and implement an integrated strategic management process that links planning, budgeting, performance measurement, and accountability. The driver of this process is the VA Strategic Plan, which sets forth the long-term course and direction for the Department. VA's Annual Performance Plan builds on the Strategic Plan by identifying the specific performance targets that will bring us closer to attainment of our goals and objectives. VA's 2001 Performance Plan includes several improvements to make the plan more useful to a wider audience.

- The Performance Plan is structured around new strategic goals and objectives. The Department has developed five new strategic goals focused on outcomes. Each of these goals has a set of supporting objectives that are used as the organizing framework for the plan. During 2000, a new Strategic Plan will be published containing these new goals and objectives.
- For the first time, the budgetary resources (obligations) associated with each of the Department's strategic goals are presented to show the potential for capturing and displaying this information. While VA will continue to refine the methodology used to develop resource data by goal, this represents a significant improvement over last year's plan which presented resources only by program.
- More complete information is provided on steps the Department has taken, and plans to take, to improve the quality of our data. Included in this discussion is a description of the role of the Office of the Actuary in ensuring VA's data are valid and reliable.
- The plan provides a more concrete description of what One VA means and how it will be implemented throughout the organization. It discusses the One VA conferences held during 1999, what the outcomes were, and what future steps are planned to ensure the concept of One VA is realized.
- Finally, there is a more focused discussion of specific actions VA is taking to resolve our major management challenges.

Summary by Programs

Medical Programs

- The Medical Care request is for \$20.3 billion in direct appropriation and the authority to expend \$608 million in medical collections. A \$1.36 billion increase over 2000 will provide quality medical services for veterans. These funds will:

- Provide resources to care for 3.9 million unique patients; an increase of 100,000 patients above the current 2000 estimate.
- Support more than 721,000 inpatient episodes -- 412,000 acute care; 15,000 rehabilitation; 86,000 psychiatric care; 99,000 nursing home care; 59,000 subacute care; 50,000 residential care -- and 41 million outpatient visits.
- Our patient-safety initiatives require an additional \$20 million - for a total of \$137 million - to continue VA's leadership in efforts towards the identification and correction for patient safety-related concerns. The components will:
 - Provide training for 20,000 staff per year in the "root-cause analysis system" for which VA has led the development.
 - Increase patient-safety staff to an estimated 484 (increase of 190 in 2001 or the equivalent of one FTE per facility plus one FTE per network) to provide a presence at every facility. The increase in FTE is expected through the redirection of staff made possible with the buyout authority.
 - Fund four patient-safety centers of inquiry for study of patient-safety related issues.
 - Provide 20 hours of patient-safety related training all full-time staff every other year.
 - Fund the quality scholars program, the first of its kind for health care, for 10 physicians per year at five medical centers.
- Focusing resources on enhancing access and services, we expect to spend \$400 million for veterans on this initiative. Restructuring efforts partly made possible through the use of buyout authority will allow us to redirect 1,500 FTE (\$178 million). In addition, we will invest \$222 million in other infrastructure and information technology enhancements. Our total resource commitment in 2001 represents an increase of \$200 million over the 2000 level. These initiatives, with newly established service standards and access goals, will enhance the outpatient model of health care.
- In order to implement the provisions of the "Veterans Millennium Health Care and Benefits Act" for emergency care, extended care, and specialized mental health services, we request the addition of \$350 million, for a total resource expenditure of \$548 million in 2001.
- Continue vigorous treatment and testing for Hepatitis C that began in 1999 - VA plans to spend approximately \$340 million in 2001, an increase of \$145 million over 2000, to treat this health threat that effects veterans at higher rates than the general population.

- The Balanced Budget Act of 1997, Public Law 105-33, allows VA to retain all collections from third parties, copayments, per diems, and certain torts after June 30, 1997. These collections are deposited in the Medical Care Collections Fund (MCCF) and are available for transfer to the Medical Care appropriation. The funds remain available until expended as no-year funds. For 2001, VA estimates that along with “Veterans Millennium Health Care and Benefits Act” receipts of \$958 million will be collected. We implemented billing of reasonable charges for inpatient and outpatient procedures in September, 1999. In addition, we are in the process of improving our compliance process to ensure collections documentation meets HCFA requirements and improve collections from private sector organizations.
- We propose a legislative initiative to combine the new funds authorized by the “Veterans Millennium Health Care and Benefits Act” (Health Care Services Improvement Fund and Extended Care Revolving Fund) with the Medical Care Collections Fund to improve administrative efficiencies. The “Veterans Millennium Health Care and Benefits Act” benefits are fully funded in the requested appropriation rather than rely on the new collection authority that will generate \$350 million in additional receipts (over the current \$608 million). To avoid double funding, this legislative proposal will allow for 50 percent of medical collections to be returned to Treasury as they are received until a level of \$350 million is recouped, at which point VA will retain 100 percent of collections.
- For Medical and Prosthetic Research, a total of \$321 million and 2,883 FTE will provide approximately one-third of total research funding and support over 1,942 high priority research projects focused in Designated Research Areas (DRAs). This level of funding will allow us to maintain research centers in the areas of Gulf War illnesses, diabetes, Parkinson’s disease, spinal cord injury, prostate cancer, depression, environmental hazards, and women’s issues, as well as rehabilitation and HSR&D field programs. VA will continue to seek to increase non-appropriated research funding from the private and public sectors.

Benefits Programs

- The Administration proposes to provide a cost-of-living adjustment (COLA), based on the change in the Consumer Price Index, to all compensation beneficiaries including dependency and indemnity compensation (DIC) for spouses and children. It is currently estimated at 2.5 percent. This is the same as the COLA that will be provided, under current law, to veterans pension and Social Security recipients. The increase would be effective December 1, 2000 and would cost an estimated \$345 million during 2001.

- Appropriation language is included in the separate Compensation and Pensions appropriations that would eliminate the end-of-year funding shortages by providing necessary funding for the payment of benefits.
- The Administration has proposed the following legislation:
 - **Pay full disability benefits to Filipino veterans residing in the U.S.--** This proposal would pay full compensation benefits to Filipino veterans residing in the U.S. who are currently receiving benefits at half the level that U.S. veterans receive. The cost would be \$25 million over five years.
 - **Repeal the delay of October 2000 VA compensation benefits -** The "Balanced Budget Act of 1997" enacted legislation which precluded the Government from making payments that fall October 1, 2000, a weekend, on the previous Friday as has been VA's long-time custom with compensation and pension payments. October 1, 2000, falls on a Sunday and under title 38, VA would have made this payment on Friday, September 29, 2000 - during fiscal year 2000. This proposed legislation would restore VA's ability to make this payment on September 28, when disabled and needy veterans will be expecting to receive their benefits. Outlays increase by \$1.8 billion in 2000 and decrease by \$1.8 billion in 2001.
- The Administration has also proposed to make permanent several OBRA provisions which would expire in 2003:
 - **Round down to next lower dollar COLA for disability compensation and DIC --** This proposal would continue to round down to the nearest dollar the annual COLA increase for compensation recipients and for survivors receiving benefit payments, as all other indexed Federal entitlement systems do.
 - **Authority to verify income of beneficiaries with the IRS --** This provision would permanently extend VA's current authority to match income records of pension beneficiaries with the IRS. The VA pension benefit is a means-tested benefit. The amount of pension benefits received by a veteran or survivor is reduced when income exceeds certain limitations. Savings result from identifying inaccurate income reported by veterans resulting in reduced pension benefit payments.
 - **Retain the Inclusion of Resale Losses in the Net Value Calculation -** To continue making property acquisitions more cost effective, legislation is being proposed to continue the inclusion of expected losses on the resale of foreclosed properties when determining net value (no-bid formula).

Public Law 102-389, "Departments of Veterans Affairs and Housing and Urban Development and Independent Agencies Appropriations Act, 1993" established this form of calculating net value for loans closed prior to 1994.

- **Retain the 3 Percent Fee Requirement for Multiple Use of the Loan Guaranty Benefit** -- Under current law, the loan guaranty program allows restoration (multiple use) of the loan guaranty benefit, so long as the borrower's previous debt has been paid in full. Those borrowers receive second and subsequent no-downpayment financing at the same terms as first-time users, despite the fact that their additional use carries nearly the same default risk. This proposal would reduce VA losses attributable to "multiple use" borrowers by continuing to charge them a 3 percent fee (which is approximately equal to the cost of their participation). Active-duty military personnel would continue to be exempt from this requirement.
- **Extend the Funding Fee Increase of .75 percent** - Legislation is being proposed to continue the funding fee increase of .75 percent on all loans except loan assumptions, loans refinanced due to a reduction in the interest rate (IRR), direct loans and manufactured home loans. The additional revenue from the fee increase would reduce budget authority and outlays for guaranteed loan subsidies.
- Combined savings of the three housing extensions are estimated as \$255 million in 2003 and a total of \$774 million through 2005.

Departmental Administration

Veterans Benefits Administration

- VBA's Business Plan was formulated with the goal of substantially improving performance. This business plan builds on critical indicators instrumental in past performance. The Balanced Scorecard, Service Delivery Networks, emphasis on data integrity, succession planning, and development of long-term program outcomes are all geared toward maintaining and improving performance. Emphasis on the following elements is designed with improved performance in mind.
- **Balanced Scorecard Maintains Focus on Organizational Performance** - This tool provides for the measurement of Accuracy, Speed, Customer Satisfaction, Cost, and Employee Satisfaction. The use of weighted measures assures VBA is focusing on correct areas for improvements.

- **SDN'S Foster Environment Committed to Improving Performance** - The Directors within each SDN manage as a Board of Directors which encourages cooperative management and a team approach to delivering benefits and services.
- **Data Integrity Emphasis Ensures Legitimate Performance Measurement** - To effect this goal, VBA has created a Data Management Office and expanded its Data Warehouse Operations. Other efforts in this area include, on-line linkage with DoD's Defense Manpower Data Center; improving internal operations review specifically geared towards detecting fraud; partnering with BVA to implement the VA Appeals tracking system and implementing Activity Based Costing.
- **Succession Planning Provides Resources to Achieve Performance Targets** - Normal turnover and pending retirements due to the 1970's hiring boom have made it vital that VBA concentrate on a succession strategy that will stabilize the workforce by hiring and training substantial additional resources now. The two to three years of training required to create effective adjudication employees exacerbates the need to begin replacement before large losses occur.
- **Program Outcomes Clarify What is Essential to Good Government** - Efforts are underway to incorporate external information to verify program goals. Also, evaluations are planned to replace interim outcome measures.
- This request provides for an increase of 586 new and redirected FTE over the 2000 level, and an increase of more than 1,000 FTE over 1999 levels, for the processing and improved quality of Compensation and Pensions claims. These additional employees are critical as VBA faces the loss of numerous highly experienced claims decision makers due to retirement. Additional hires, combined with redirected employees, are necessary to replace those who depart and to maintain performance as training and other initiatives drain productive time away from performance.
- Other initiatives for which funding is provided to enhance the C&P processing environment include:
 - (1) A \$10.9 million investment to continue the expansion of the efforts for a pilot to creating a **Virtual Processing Environment** for C&P claims. Costs associated with this include maintenance of the pilot project, contractor support, ADP equipment, and travel and training materials.
 - (2) **Training and Performance Support Systems (TPSS)** - This multi-year initiative requires \$5.2 million in funding for four comprehensive training and performance support systems for the core service

delivery positions of the reengineered C&P environment. The effectiveness of this training has been established and an eight percent performance improvement in accuracy for Core Rating Work is expected upon full implementation.

- (3) **STAR** – An additional 25 FTE estimated to cost \$2.5 million will be hired in 2001 to continue implementation of the Systematic Technical Accuracy Review Program in order to obtain current and diagnostic information about the accuracy of the work being produced at field stations.
 - (4) **SIPA** – The Systematic Individual Performance Assessment is a new initiative designed to complement the on-going STAR program and brings performance assessment and accountability to the journey-level employee. This will combat internal vulnerabilities which could lead to fraud. Funding in the amount of \$6.3 million is requested to hire 110 FTE for this program.
 - (5) **Miscellaneous initiatives** – Another \$6.7 million in C&P initiatives is requested to assist in claims development and processing. These are fully addressed in the GOE Business Plan.
- Funds requested for the enhancement of Education activities are intended to improve stakeholder and customer satisfaction. Funding of \$1 million is requested to support The Education Expert System (TEES), an umbrella project which will expand on achievements already made in the area of electronic data exchange and funds transfer. This will include changes to the application used by schools to transmit enrollment information to VBA, and among other things, expand the 1606 expert system to other benefit programs. An additional \$1.6 million is requested for such initiatives as Continuity of Operations, training for education employees and a work measurement study.
 - This budget contains \$8 million in housing-specific initiatives to provide much needed improvements in service and accountability. The Loan Service and Claims Redesign system is funded at \$1.2 million in 2001 and will automate routine and redundant activities. It will also provide support to the ongoing effort to consolidate guaranteed loan servicing at the nine Regional Loan Centers. Other projects include providing for a redesign of the Construction and Valuation system, the continuation of consolidation of the mortgage loan accounting functions to one centralized location, enhancements to the Lockbox Funding Fee system and On-Line Determination of Eligibility.
 - This budget continues the assumption that, if found cost effective, VA will join other Federal housing loan guaranty programs and eliminate the in-

house home-loan property management and disposal activities of foreclosed homes by utilizing contracting where most efficient. VBA is in the initial stages of conducting a study of this function under the guidance of OMB circular A-76 to determine contracting feasibility.

- The Vocational Rehabilitation and Employment program has identified several areas to strengthen in order to enhance service. Initiatives in the amount of \$5 million are sought to improve communications; emphasize outreach; increase access; improve case management; emphasize employment; and improve program management.
- Another \$11.7 million is included to provide for improvements under the One VA Telephone Access initiative. This project includes installation of a national telephone system to route callers to employees having the most knowledge about the designated subject, reducing blocked calls and providing access to case-specific and general information on an automated basis 24 hours a day. Equipment will also be added and replaced throughout the regional office system as necessary. Funding in the amount of \$4.8 million is requested to provide for the Operational Processing of the Benefits Delivery Network. This initiative facilitates the move of the BDN processing to the Austin Automation Center.
- VBA's Insurance Center provides veterans and their dependents a full range of insurance services for policies administered by VA. The insurance program is undertaking two major technology initiatives, Insurance Self Service and Paperless Processing. Self Service will provide policyholders with the capability to access their own insurance master records and make inquiries, certain account changes and disbursements. Paperless Processing combines imaging, beneficiary mailing and folder retirement to improve timeliness and quality of service, while reducing the cost of that service to policyholders. Funding is also included for a training initiative which involves the development and implementation of a new performance-based training process for Policyholders Services Division. The new training modules will be used for training newly hired technicians and will also offer refresher training.
- Administrative expenses to support the insurance program are made available from excess earnings from the National Service Life Insurance, United States Government Life Insurance and Veterans Special Life Insurance programs.

National Cemetery Administration

- The National Cemetery Administration requests an appropriation of \$110 million and 1,453 FTE for 2001. This is an increase of \$13 million and 47 FTE over the 2000 current estimate level.

- The budget request includes \$5,000,000 for an increased level of contracting initiatives to improve the appearance of burial grounds and historic structures aimed at fulfilling the commitment to maintain our national cemeteries as national shrines. There are two strategies proposed to meet this national shrine commitment. One strategy is to provide an extensive renovation of the grounds, gravesites and grave-markers at cemeteries where the greatest need exists. The other is to begin the renovation of historic structures at 59 national cemeteries that were developed during the Civil War era. Most of these cemeteries have been placed upon the National Register of Historic Places.
- The request includes an additional \$1,207,000 for additional contracting, supplies and equipment for the maintenance of increased gravesites and developed acreage, and also includes an additional \$1,332,000 of funding for 18 FTE to address the 2001 growth in cemeterial interment workloads at existing cemeteries.
- Additional funding of \$1,548,000 and 23 FTE are also required to support the accelerated interment workload increases anticipated at the four new national cemeteries scheduled to open in the latter part of 1999 and in 2000. These four new cemeteries include the Ohio Western Reserve National Cemetery near Cleveland, Ohio; the Abraham Lincoln National Cemetery near Chicago, Illinois; Dallas/Ft. Worth National Cemetery near Dallas, Texas; and Saratoga National Cemetery near Albany, New York.
- The Memorial Programs Service (MPS) will continue to experience workload growth until the peak in veteran deaths in the year 2008 is reached. The growth in headstone and marker applications in 2001 and enhanced quality assurance efforts will require an increase of \$96,000 and two FTE.
- Along with the opening of four new national cemeteries in 1999 and 2000, the National Cemetery Administration continues to expand the capacity and improve the infrastructure of existing cemeteries to ensure they continue to meet the needs of veterans and other stakeholders. The increased construction workload requires an increase of \$404,000 and 4 FTE for additional architectural and engineering support.
- The 2001 request for personal services reflects a projected 3.7 percent pay raise in January 2001, the annualization of the 2000 4.8 percent pay raise, and the reduction of one workday in 2001. Non-payroll objects of expense include funding for inflation.

- The budget request contains a \$250,000 increase for Information Technology equipment for system upgrades for NCA's Burial Operations Support System (BOSS). This upgrade will allow for the growth of current applications.
- Additional funding of \$358,000 is included in the request to allow NCA to purchase payroll and personnel services, provided through the HR LINK\$ system, from the Shared Service Center. This funding is required because the Shared Service Center will be moved into VA's Franchise Fund in 2001.
- The budget request also includes \$519,000, which is NCA's 2001 share of the development cost of VA's new core FLS.
- In 2001, NCA will reimburse the Office of Resolution Management (ORM) and the Office of Employment Discrimination Complaint Adjudication (OEDCA) to process and adjudicate employee discrimination complaints.

Office of the Inspector General

- The 2001 request for the Office of the Inspector General (OIG) contains total resources slightly over \$49 million. The request includes direct budget authority of \$46.5 million and planned reimbursements of \$2.6 million, which supports average staffing levels of 369 and 24 positions, respectively. This funding provides OIG an increase of \$1 million and nine positions over the 2000 level. The request will assist OIG in expanding oversight in the quality of health care services rendered our veterans, identifying internal control vulnerabilities in benefit payment processes and detecting fraud through extensive review and analysis of VA databases and matching initiatives.

General Administration

- Budget authority of \$226.5 million and 2,435 FTE are requested to support the General Administration activity in 2001. This request is \$20.3 million above the enacted 2000 level of \$206.2 million, excluding \$29.5 million in transfers and reprogramming for ORM and OEDCA. The budget authority, together with \$52.9 million in estimated reimbursements, will provide for an estimated total obligational authority of \$279.5 million in 2001. FTE decreases by a net 93 FTE in 2001 from the 2000 current estimate of 2,528. This results primarily from the decision to move the HR LINK\$/Shared Service Center to the Franchise Fund starting in 2001. Highlights of the 2001 increases are briefly summarized below.
- The Board of Veterans' Appeals (BVA) is requesting \$45.9 million in 2001. The Board's marked improvement in timeliness, increase in productivity, and reduction of the appeals backlog in 1995 through 1999 exceeded expectations. This level of funding will enable VA to continue to improve timeliness in this

area. BVA and VBA have adopted a joint performance indicator that is a system-wide measure of how long it takes to resolve an appeal made by a veteran. In 2001, it is projected that it will take an average of 650 days. The appeal resolution time for 1999 was 745 days.

- The Office of the General Counsel (OGC) is requesting \$56.6 million in total funding and an average employment of 683 (including 113 reimbursable FTE). This includes \$47.6 million in budget authority and \$9.0 million funded through reimbursements under the Medical Care Collections Fund, the Credit Reform statute and other reimbursable authorities. This level of funding would enable OGC to continue to meet the increasing demand for legal services by the Administrations within VA, while managing to keep pace with its representational responsibilities at the Court of Appeals for Veterans Claims (CAVC). Increased funding for the OGC also would permit it to address rising demands for representation of the Department in workplace disputes.
- The Office of Financial Management (OFM) is requesting \$30.9 million in total obligation authority and an average employment of 229. This request includes \$29.1 million in budget authority and \$1.8 million in reimbursable authority. These resources will allow OFM to continue its current level of operations and sustain efforts on critical initiatives underway. Reimbursements will fund medical care financial operation and program reviews as well as assistance in financial policy development and oversight. The requested budget authority also includes \$2.6 million toward implementation efforts of the new, integrated VA core FLS to replace the current financial management system and its interfaces. OFM will coordinate the Department's investment for the core FLS. In 2001, the total investment of approximately \$57 million will fund specific tasks for the Acquisition (Phase III) and the Prototyping and Implementation (Phase IV) of the project. The budget request for this office, as well as for Human Resources & Administration, reflects the movement of HR LINK\$/Shared Service Center to the Franchise Fund.
- The Office of Information and Technology (OI&T) is requesting \$30.9 million in total obligations and 195 FTE, including \$22.3 million in budget authority (156 FTE) and reimbursements of \$8.6 million (39 FTE). These resources would enable OI&T to continue to support information technology policy, program assistance, and VA capital planning, the nationwide telecommunications network, the VACO campus office automation platform and local network, and other efforts. The Austin Automation Center is separately supported by the Franchise Fund.
- The Office of Human Resources and Administration (HR&A) is requesting \$82.8 million in total obligation authority and an average employment figure of 579. The requested budget authority is \$51.4 million. Included in this

figure are requests for additional resources to carry out several initiatives: developing and implementing strategies to prevent discrimination complaints, developing a Departmental workforce succession planning and decision system, conducting the Department's next One VA organizational assessment, conducting VA's next Human Resources conference, and maintaining and testing the Department's Continuity of Operations Plan for assuring essential emergency services. The total figure for HR&A reimbursements is \$31.4 million. This includes \$27.8 million and 260 FTE for ORM and \$3 million to complete HR LINK\$ development. In 2001, the Department is again requesting that the operations of ORM and OEDCA located in the Office of the Secretary be funded through reimbursement from its customers.

- The Office Planning & Analysis (OPA) is requesting \$13.9 million and 65 FTE to support its activities in 2001. With these resources, OPA will continue to facilitate the Department's strategic planning process, provide actuarial and analytical support to VA program offices, conduct statutorily required program evaluations, coordinate corporate management improvement activities, and support development, analysis and review of issues affecting veterans' program. Funding increases for 2001 will support expanded analyses and reports of data collected in the National Survey of Veterans that will be conducted in 2000.

Franchise Fund (Enterprise Centers)

- The Franchise Fund completed its third year of operations on September 30, 1999. The six lines of business (Enterprise Centers) are proving to be very successful. Sales to federal entities have dramatically increased since our initial year of operations in 1997, i.e., from \$59.1 million to \$97.3 million. The 1998 financial statements of the Fund were audited by a private sector CPA firm. The audit resulted in an unqualified (clean) opinion. On October 1, 2000, the Shared Services Center (SSC), which will support the implementation and operation of the HR LINK\$ personnel payroll system, will join VA's Enterprise Centers.

Construction Programs

- New budget authority totaling \$62 million is requested for the major construction program. The major construction request includes funding for a seismic corrections project at Palo Alto, CA and a gravesite development project at Ft. Logan National Cemetery (CO). Additional funds are provided to remove asbestos from Department-owned buildings and to support design and advanced planning activities including additional Capital Asset Realignment for Enhanced Services (CARES) studies. Congress initially provided \$10 million to begin these market-based assessments of health care

requirements and capital needs in 2000. The 2001 request includes funds to continue the development of four new national cemeteries to be located near the Miami, FL; Detroit, MI; Atlanta, GA; and Sacramento, CA areas.

- New budget authority totaling \$162 million is requested for the minor construction program. The request will be used to make improvements to ambulatory care settings, patient environment, and VA's aging infrastructure. Funds are also requested for nursing home care, clinical improvements, correction of code deficiencies in existing facilities, and the elimination of fire and safety deficiencies. Funds requested in the minor construction budget would also support VBA and Staff Office construction requirements and gravesite development and improvements to existing national cemetery infrastructure. In addition, minor construction funds may be used to make capital contribution payments for enhanced-use lease projects such as the new regional office building at Milwaukee, WI. The authority to use minor construction funds for enhanced-use leases was provided by the "Veterans Millennium Health Care and Benefits Act".
- New budget authority of \$25 million is requested for Grants for the Construction of State Veterans Cemeteries and \$60 million is requested for the Grants for the Construction of State Extended Care program.

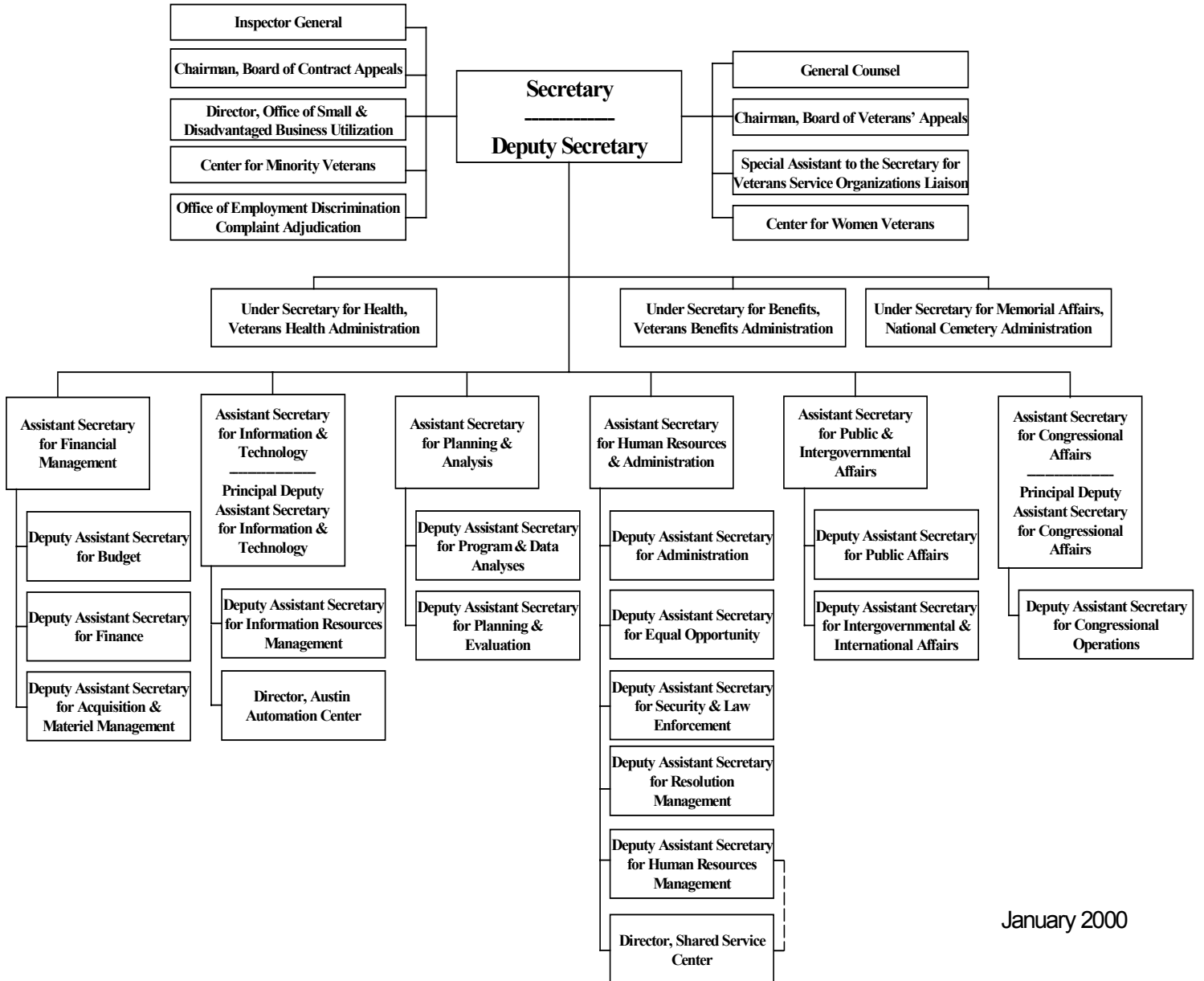
The VA Capital Investment Board and VA's Capital Planning Process

- The Department formally established the VA Capital Investment Board (CIB) in July 1997, and produced VA's first Capital Plan in 1998. The CIB is chaired by the Deputy Secretary, and its membership consists of top management from throughout the Department. The CIB was established primarily to ensure that all significant capital investments are based on sound business principles and also support VA's strategic and performance goals. The process consists of two steps: validation and priority scoring. The validation step is to verify that the data provided is complete and that the assumptions are acceptable. This process incorporates best practices from the public and private sector and offers a more objective and scientific method for reviewing and prioritizing capital investments. After the application passes validation, the project is evaluated and receives an overall priority score from the CIB.
- Capital investment proposals that meet specified thresholds (such as major construction projects, equipment, leases and information technology capital assets) are scored on how well the project application addresses the 20 sub-attributes of seven major criteria. The seven major criteria are: Seismic/Life Safety; Special Emphasis Programs; Customer Service; Return on Taxpayer Investment; High Performing Work Force; Risk; and Alternatives Analysis. These criteria are directly related to either the Department's strategic goals, or

address improved business practices. All significant capital investment proposals that are requested in the 2001 budget have been scored and ranked by the CIB to ensure that they meet VA's strategic goals and are sound investments.

- In December 1999, OMB issued its "Annual Report to Congress on Implementing the Federal Acquisition Streamlining Act". This report covered 15 major civilian agencies with VA being the sole agency that received OMB's highest rating of "making excellent progress" in implementing both the principles and practices of performance based acquisition management.
- Recognizing the need to enhance capital asset planning, the Department will continue to refine its capital investment planning process to improve the selection methodology for all significant capital assets, including construction, equipment, and information technology, in support of the budget request.

DEPARTMENT OF VETERANS AFFAIRS

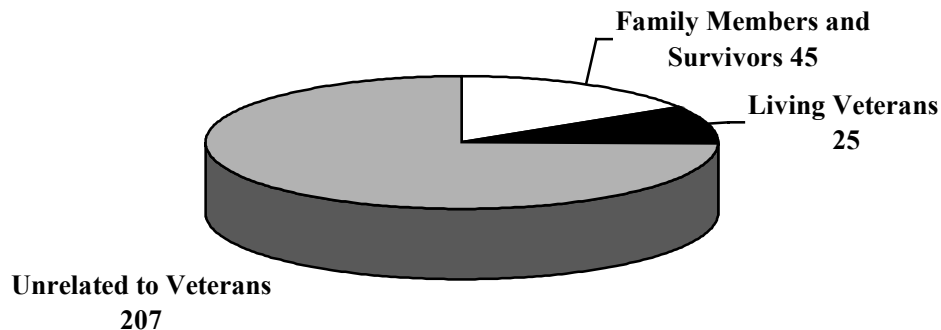


January 2000

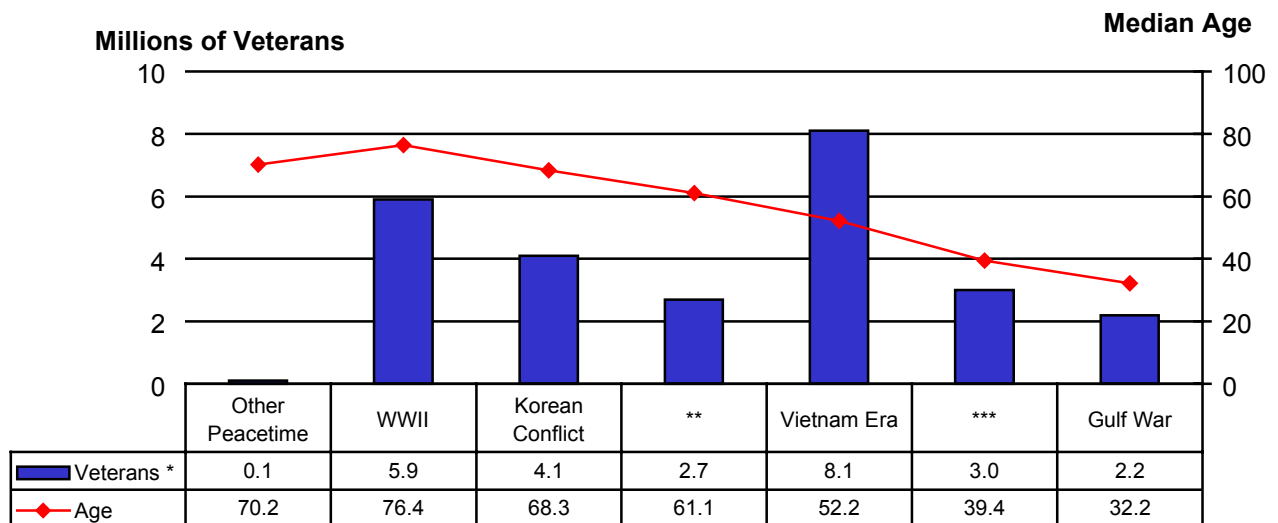
Veterans Population

On July 1, 1999, there were nearly 25 million veterans, and approximately 45 million family members of living veterans and survivors of deceased veterans. Thus, approximately 70 million, or 25 percent (based on total resident population of 277 million) of the total population of the United States and Puerto Rico were potential recipients of veterans benefits provided by the Federal Government.

1999 Population by Veterans Status (estimated in millions)



Number and Median Age of Veterans by Period of Service



* Veterans are included in all wartime periods in which they served.

** Between Korean Conflict and Vietnam Era

*** Between Vietnam Era and Gulf War Only

Source: VA Veteran Population Estimates and Projections

In compliance with provisions of the Veterans' Judicial Review Act, P. L. 100-687, Section 1404.

<i>Estimates of Combat Theatre Obligations from the National Survey of Veterans</i> (dollars in millions)			
Appropriations	FY 1999 Obligations	Estimate of Combat Theatre Veterans *	Estimated Obligation on Combat Theatre Veterans
Employment Services			
HIRE/CETA	(a)	N/A	
EJTP/VJTP	(a)	N/A	
Compensation	\$14,600	55%	\$8,030
Dependent and Indemnity Compensation	3,425	N/A	
Pension			
Veterans	2,347	29%	681
Survivors	738	N/A	
Inpatient Facilities	8,963	45%	4,033
Outpatient Care	7,857	45%	3,536
Readjustment Counseling	70	34%	24
Veterans Insurance and Indemnities	49	N/A	
Specially Adapted Housing	20	N/A	
Burial Benefits	109	39%	43 (d)
Educational Assistance			
Montgomery G.I. Bill ^{1/}	989	25%	247
VEAP	19	38%	7
Education Loans	0	38%	0
Work-study	34	37%	13
Vocational Rehabilitation	412	47%	194
Survivors' and Dependents' Educational Assistance	136	N/A	
Home Loan Guaranty			
Obligations (Liquidating)	402	31%	125
Subsidy Cost	1,389	N/A	
Administrative Costs	159	N/A	
Automobiles and Adaptive Equipment	31	N/A	

NA = Not Available from the National Survey of Veterans (NSV)

* Based on 1992-1993 NSV. Newer survey data will not be available until 2001.

(a) Estimates of participation levels for these employment services are not available from NSV. The responsibility for these programs rests with the Department of Labor and are, for that reason, not part of this analysis.

(b) This estimate is based on total cost for this program since health care costs are not kept on a per episode basis.

(c) Under the Credit Reform Act of 1990, subsidy cost is a system of measuring the cost to the Government of making and guaranteeing loans. Subsidies are based on the net present value over the life (30 years) of a cohort year of loans and exclude administrative expenses.

(d) Due to the nature of this program, this is an estimate of the combat theatre participants who plan to use burial benefits.

¹ Total Obligations for the Montgomery G.I. Bill. The Vietnam-Era veterans program (Old G.I. Bill) expired on December 31, 1989.

Appropriation Structure

The Department of Veterans Affairs' programs are funded through 22 appropriations (including six revolving funds that have appropriation funding), 10 revolving funds that do not have appropriation funding, two intragovernmental funds, two special fund, and seven trust funds. These appropriations and funds are listed below with a brief description of the scope of the account:

Appropriations

COMPENSATION AND PENSIONS: Provides for compensation payments to service-connected disabled veterans and their survivors; provides for pension payments, subject to an income standard, to war-time veterans who are permanently and totally disabled from non-service-connected causes and their survivors; and provides burial and other benefits to veterans and their survivors.

READJUSTMENT BENEFITS: Provides payments for education and training, for eligible veterans and dependents, as well as special assistance to disabled veterans. Funding provided for this program consists of direct appropriations to this VA account as well as offsetting collections received primarily from the Department of Defense.

REINSTATED ENTITLEMENT PROGRAM FOR SURVIVORS: Restores benefits to certain surviving spouses or children of veterans who died of service-connected causes which occurred before August 13, 1981. Financing is provided in the form of offsetting collections from the Department of Defense.

VETERANS INSURANCE AND INDEMNITIES: Provides payment for extra hazard costs to the National Service Life Insurance and United States Government Life Insurance funds, supplements the Service-Disabled Veterans Insurance Fund, and provides direct payment to policyholders. It also provides funds for expenses of the Veterans Mortgage Life Insurance Program.

MEDICAL CARE: Provides for comprehensive and integrated health care system supporting health care to eligible veterans; a national academic education and training program to enhance the quality of care provided to veterans; and administrative support of capital facilities. This is an annual, multi-year, and no year appropriation.

MEDICAL AND PROSTHETIC RESEARCH: Supports research that facilitates and improves the primary function of VHA, which is to provide high quality and cost-effective medical care to eligible veterans and contribute to the Nation's knowledge about disease and disability. This is a multi-year appropriation and no-year appropriation.

MEDICAL ADMINISTRATION AND MISCELLANEOUS OPERATING EXPENSES: Provides the corporate leadership and support to VA's comprehensive and integrated health care system by a headquarters staff including the capital facilities management and development process. Specific activities include the development and implementation of policies, plans and broad program activities; assistance for the networks in attaining their objectives; necessary follow-up action to insure complete accomplishment of goals; and facility management and development functions. This is an annual appropriation.

HEALTH PROFESSIONAL SCHOLARSHIP PROGRAM: Provides tuition, stipend and other educational expenses for nursing and other allied health professional students in exchange for a service obligation in a VA medical facility. The account received no appropriation from Congress in 2000, and none is requested for 2001.

CONSTRUCTION, MAJOR PROJECTS: For constructing, altering, extending and improving any VA facility, including planning, architectural and engineering services and site acquisition, where the estimated cost of a project is \$4 million or more or where funds for a project were made available in a previous major project appropriation.

CONSTRUCTION, MINOR PROJECTS: For constructing, altering, extending and improving any VA facility, including planning, architectural and engineering services, and site acquisition, where the estimated cost of a project is less than \$4 million. VA medical center projects with a minor improvements component costing \$500,000 or more are funded from this appropriation.

GRANTS FOR CONSTRUCTION OF STATE EXTENDED CARE FACILITIES: Approved on August 19, 1964 and authorized an appropriation in 1965. Grants to States to acquire or construct State nursing home and domiciliary facilities and to remodel, modify or alter existing hospitals, nursing homes, and domiciliary facilities in State homes. A grant may not exceed 65 percent of the total cost of the project. Public Law 102-585 granted permanent authority for this program. Public Law 104-262 added Adult Day Health Care and another level of care that may be provided by State homes.

GRANTS TO THE REPUBLIC OF THE PHILIPPINES: This program previously provided for the continued effective care and treatment of U.S. veterans in the Veterans Memorial Medical Center (VMMC). However, with the suspension of the U.S. veteran admission to the VMMC, the continuing appropriation of U.S. funds to maintain and upgrade the physical plant at this facility was discontinued. The activity in this account has been merged with the Pershing Hall Revolving Fund in the President's Budget.

GRANTS FOR THE CONSTRUCTION OF STATE VETERANS CEMETERIES:

Grants to aid States in establishing, expanding or improving State veterans' cemeteries. A grant can be up to 100 percent of the total value of the land and the cost of improvement. Federal funding for the cost of initial equipment when the cemetery is established is also permitted. The States remain responsible for providing the land and paying for all costs related to the operation and maintenance of the state cemeteries, including the cost for subsequent equipment purchases.

GENERAL OPERATING EXPENSES: For the administration of all VA non-medical benefits and support functions for the entire Department. Includes the Veterans Benefits Administration and the General Administration activities. While the program accounts associated with credit reform receive an appropriation directly for associated administrative expenses, total obligations from those appropriations are reflected under the General operating expenses account, with financing provided as offsetting collections.

NATIONAL CEMETERY ADMINISTRATION: This appropriation provides funding for the administration of all functions associated with the National Cemetery Administration. Provides, upon request, for the interment in any national cemetery with available grave space the remains of eligible deceased service persons and discharged veterans (together with their spouses and certain dependents). To facilitate account restructuring and consolidation, this account reflects budget information for the National Cemetery Gift Fund in the President's budget.

OFFICE OF THE INSPECTOR GENERAL: Responsible for the audit, investigation, and inspection of all Department of Veterans Affairs programs and operations.

Special Fund

MEDICAL CARE COLLECTIONS FUND: Public Law 105-33, the Balanced Budget Act of 1997, established the Department of Veterans Affairs Medical Care Collections Fund (MCCF) and terminated the Medical Care Cost Recovery Fund (MCCR). It required that amounts collected or recovered after June 30, 1997, be deposited in the MCCF. The amounts collected in the fund are available only for: 1) furnishing VA medical care and services during any fiscal year; and for 2) VA expenses for identification, billing, auditing and collection of amounts owed the government. Public Law 105-33 also extended to September 30, 2002, the following OBRA provisions: 1) authority to recover copayments for outpatient medication and nursing home and hospital care; 2) authority for certain income verification authority; and 3) authority to recover third party insurance payments from service-connected veterans for nonservice-connected conditions.

HEALTH SERVICES IMPROVEMENT FUND: Public Law 106-117, the “Veterans Millennium Health Care and Benefits Act,” authorized the Secretary to increase the \$2 medication copayment, establish a maximum annual and monthly payment applicable to veterans with multiple outpatient prescriptions and revise copayments in outpatient care for “higher-income” veterans. Receipts and collection under the new authority will be deposited in the Health Services Improvement Fund. The Health Service Improvement Fund will be merged with the MCCF.

Revolving Funds

VETERANS HOUSING BENEFIT PROGRAM FUND: The consolidated, single housing fund called the Veterans Housing Benefit Program Fund (VHBPF) reflects all information formerly in the Loan Guaranty, Guaranty and Indemnity, and Direct Loan housing programs. Effective October 1, 1998, all appropriations and income formerly received from these accounts is deposited in this new fund. No program changes resulted as an effect of this presentation. All loans guaranteed prior to September 30, 1991 are scored in the VHBPF Liquidating Account. Under the “Federal Credit Reform Act of 1990”, all loans guaranteed after September 30, 1991, are financed by subsidy appropriations to the VHBPF Program Account. This account also receives an appropriation for administrative expenses. The principal objective of the loan guaranty program is to encourage and facilitate the extension of favorable credit terms by private lenders to veterans for the purchase, construction, or improvement of homes to be occupied by veterans and their families.

GUARANTEED TRANSITIONAL HOUSING LOANS FOR HOMELESS VETERANS PROGRAM: This program was established in the Veterans Benefits Improvement Act of 1998, Public Law 105-368. The program is a pilot project designed to expand the supply of transitional housing for homeless veterans by authorizing the Secretary to guarantee loans for self-sustaining housing projects specifically designed to create long-term transitional housing for homeless veterans. VA may guarantee up to 15 loans with a maximum aggregate value of \$100 million. Not more than five loans may be guaranteed in the first three years of the program. The project must enforce sobriety standards and provide a wide range of supportive services such as counseling for substance abuse and job readiness skills. Residents will be required to pay a reasonable fee. All funds authorized for this program were appropriated by the end of 2000; therefore, no appropriation language has been included in this budget.

NATIVE AMERICAN VETERANS HOUSING PROGRAM: This program was designed to test the feasibility of enabling VA to make direct home loans to Native American Veterans who live on U.S. trust lands. Annual appropriations are received for administrative expenses associated with this program. Subsidy budget authority was enacted in 1993, initially available through September 30,

1997. Authority to continue this program was extended through December 31, 2001 per Public Law 105-114, "Veterans Benefits Act of 1997". The direct loan financing activity of this account is shown under the "Miscellaneous Veterans Housing Programs Loans, Program, and Direct Loan Financing Account" in the President's budget.

SERVICE-DISABLED VETERANS INSURANCE FUND: This program finances claim payments on non-participating policies issued to service-disabled veterans who served in the Armed Forces after April 25, 1951. The program provides insurance coverage for service-disabled veterans at standard rates. Claim payments exceed premium receipts each year. Funds are derived mainly from premiums and payments from the Veterans Insurance and Indemnities appropriation.

VETERANS REOPENED INSURANCE FUND: Established in 1965 as the financing mechanism for a program authorizing reopening of National Service Life Insurance for one year, for certain disabled veterans of World War II and the Korean conflict. Operations are financed from premiums collected from policyholders and interest on investments.

EDUCATION LOAN FUND: Provides education loans of up to \$2,500 a school year for certain dependents who are without sufficient funds to meet their expenses. Under the Federal Credit Reform Act of 1990, this fund now receives a direct appropriation for its administrative expenses, which it reimburses directly to the General Operating Expenses appropriation. Subsidy budget authority is provided for costs associated with loans obligated in 1992 and beyond. The program and direct loan financing activities of this account have been shown under the "Miscellaneous Veterans Programs Loan Fund" and the "Miscellaneous Veterans Programs Loan Fund Direct Loan Financing Account", respectively, in the President's budget.

VOCATIONAL REHABILITATION REVOLVING FUND: Loans (advances) of up to \$841.00 will be made in 2000 to disabled veterans eligible for vocational rehabilitation who are without sufficient funds to meet their expenses. Under the Federal Credit Reform Act of 1990, this fund now receives a direct appropriation for its administrative expenses, which it reimburses directly to the General Operating Expenses appropriation. Subsidy budget authority is provided for costs associated with loans obligated in 1992 and beyond. To facilitate account restructuring and consolidation, the program and direct loan financing accounts also have been shown under the "Miscellaneous Veterans Programs Loan Fund" and the "Miscellaneous Veterans Programs Loan Fund Direct Loan Financing Account", respectively, in the President's budget.

SERVICEMEMBER'S GROUP LIFE INSURANCE FUND: Established in 1965 as the financing mechanism to provide Group Life Insurance to members of the

uniformed forces on active duty and certain members of the Reserves. Premiums, including the cost of administration, are deducted monthly from the serviceperson's pay and remitted by each uniformed service to VA and, in turn, to the primary insurer. The Government contributes toward the military extra hazard cost by paying for all death claims over a certain maximum as defined by law.

SPECIAL THERAPEUTIC AND REHABILITATION ACTIVITIES FUND: This revolving fund, established pursuant to the Veterans Omnibus Health Care Act of 1976, Public Law 94-581, approved October 21, 1976, provides a mechanism for furnishing rehabilitative services to certain veteran beneficiaries receiving medical care and treatment from VA. Funds to operate the various rehabilitative activities and provide therapeutic work for remuneration for patients and members in VA facilities are derived from contractual arrangements with private industry, non-profit organizations and State and Federal entities. This is a self-sustaining fund that does not require an appropriation.

EXTENDED CARE REVOLVING FUND: This revolving fund was established by Public Law 106-117, the "Veterans Millennium Health Care and Benefits Act." This fund receives per diems and co-pays from certain patients receiving extended care services as authorized in title 38, U.S.C., § 1701B. Amounts deposited in the fund are used to provide extended care services. The Extended Care Revolving Fund will be merged with the MCCF.

MEDICAL FACILITIES REVOLVING FUND: This fund provides for operating expenses of VA medical facilities furnishing nursing home care to certain veterans who receive pensions. Title 38, U.S.C., provides that a veteran with no spouse or child will receive \$90 per month in pension beginning the third full month following the month of admission to VA furnished nursing home care. The difference between the \$90 the veteran receives and the amount otherwise authorized is transferred to this fund to cover expenses to the facility furnishing the nursing home care. Public Law 105-368, Veterans Programs Enhancement Act of 1998, has granted permanent authority for the transfer of pension funds in excess of \$90 per month from the Compensation and Pension (C&P) account, in accordance with the provisions of title 38, U.S.C. § 5503(a)(1)(B). This authority will be retroactive as of October 1, 1997.

MEDICAL CENTER RESEARCH ORGANIZATIONS: Authorized in 1988 to provide a mechanism whereby non-VA funds may be received and administered to perform research by a nonprofit corporation at any VA medical center.

CANTEEN SERVICE REVOLVING FUND: This fund finances the operation of canteens at all medical facilities. These activities are under the management of the Veterans Canteen Service, established by Congress in 1946. Income from sales makes this a self-sustaining activity.

PARKING REVOLVING FUND: Provides for constructing, altering, and acquiring (including site and lease acquisition) of parking structures in order to accommodate the vehicles of employees of medical facilities, vehicles used to transport veterans and eligible persons to or from such facilities for examination or treatment, and the vehicles of visitors and other individuals having business at such facilities. Revenue is derived from parking fees.

NURSING HOME REVOLVING FUND: Provides for construction, alteration, and acquisition (including site acquisition) of nursing home facilities and may be used only as provided for in Appropriation Acts. Receipts to this revolving fund shall be realized from the transfer of any interest in real property that is owned by the United States and administered by VA and that has an estimated value in excess of \$50,000. Amounts realized from a transfer pursuant to title 38, § 8122(a)(2)(C) shall be administered as a revolving fund and shall be available without fiscal year limitation. Pursuit to Public Law 106-117, funds are now deposited into Health Service Investment Fund in the medical care appropriation. The activity in this account has been merged with the Pershing Hall Revolving Fund in the President's budget.

PERSHING HALL REVOLVING FUND: Established by Public Law 102-86 for the operation and maintenance of Pershing Hall, an asset of the United States located in Paris, France. Receipts generated by the operation of Pershing Hall are also deposited in the revolving fund. To facilitate account restructuring and consolidation, this account reflects budget information for the Nursing Home Revolving Fund and the Grants for the Republic of the Philippines in the President's budget.

Intragovernmental Fund

SUPPLY REVOLVING FUND: Established in 1953, the Supply Fund is responsible for the operation and maintenance of a supply system for VA. Functioning as an intragovernmental fund, without fiscal year limitation, it seeks to assure the most timely, cost-effective acquisition of goods and services for VA programs. As a self-sustaining fund, the majority of its operating expenses are recovered through a mark-up on goods sold.

FRANCHISE FUND: VA was chosen as a pilot Franchise Fund agency under Public Law 103-356, the Government Management Reform Act of 1994. The pilot commenced in 1997, funded under VA's General Operating Expenses appropriation. VA's Franchise Fund is a revolving fund used to supply common administrative services on the basis of services supplied.

Trust Funds

POST-VIETNAM ERA VETERANS EDUCATION ACCOUNT: Funding for this account consists of voluntary contributions by eligible servicepersons and

Department of Defense matching contributions on behalf of specific servicepersons. The account serves as a depository and disbursing account for the contributory-matching education program which provides educational assistance payments to participants who entered the service between January 1, 1977 and June 30, 1985, and are pursuing training under chapter 32 (38 U. S. C.). Public Law 99-576, enacted October 28, 1986 permanently closed the program to new enrollees after March 31, 1987. However, the enactment of Public Law 101-510, allows servicepersons enrolled or eligible to enroll in the program, who are involuntarily separated from the service on or after February 3, 1991, an opportunity to receive assistance under the Montgomery GI Bill (MGIB) program in lieu of Post-Vietnam Era Veterans Education Program (VEAP). Public Law 102-484 extended the same opportunity to certain servicepersons who voluntarily separated from the military on or after December 5, 1991. An opportunity to enroll in the MGIB program also was extended to Chapter 32 (and section 903) servicepersons, who were VEAP participants on October 9, 1996, under Public Law 104-275.

NATIONAL SERVICE LIFE INSURANCE FUND: Started in 1940 as the financing mechanism for World War II insurance. Closed to new issues in 1951. Income is derived from premiums, interest on investments and transfers from Veterans Insurance and Indemnities appropriation.

UNITED STATES GOVERNMENT LIFE INSURANCE FUND: Started in 1919 as the financing mechanism for converted insurance issued under the War Risk Insurance Act of 1914, as amended. Closed to new issues April 1951. Income is derived from interest on investments and transfers from Veterans Insurance and Indemnities appropriation.

VETERANS SPECIAL LIFE INSURANCE FUND: Finances the payment of claims for the insurance program authorized for insurable veterans who served after April 1951 and before January 1, 1957. Income is derived mainly from premiums and interest on investments.

GENERAL POST FUND: This trust fund consists of gifts, bequests and proceeds from the sale of property left in the care of VA facilities by former beneficiaries or the general public, patients' fund balances and proceeds from the sale of effects of beneficiaries who die leaving no heirs or without having otherwise disposed of their estates. Such funds are used to promote the comfort and welfare of veterans in hospitals and homes where no general appropriation is available for this purpose. In addition, donations from pharmaceutical companies, non-profit corporations, and individuals to support VA medical research are deposited in this fund.

TRANSITIONAL HOUSING FUND: Authorized by Public Law 102-54, provides loans to non-profit organizations to assist them in leasing housing units

exclusively for use as a transitional group residence for veterans who are in (or who have recently been in) a program for the treatment of substance abuse. The amount of the loan cannot exceed \$4,500 for any single residential unit and each loan must be repaid within two years. The amount of loans outstanding at any time may not exceed \$100,000. The program activity in this account has been merged with the General Post Fund and the financing activity of this account has been merged with the Miscellaneous Veterans Programs Loan Fund Direct Loan Financing Account in the President's budget. Because of inactivity of this program, a legislative proposal will be submitted for the elimination of this program.

NATIONAL CEMETERY GIFT FUND: Consists of gifts and bequests which are made for the purpose of beautifying national cemeteries, or are made for the purpose of the operation, maintenance or improvement of the National Memorial Cemetery of Arizona. The activity in this account has been merged with the National Cemetery Administration in the President's budget.